



robert walters plc
interim results 2004

the robert walters group

Robert Walters is one of the world's leading professional recruitment consultancies, specialising in the placement of permanent, contract and temporary positions at all levels.

Established in 1985, the Group specialises in the accounting, finance, banking, IT, general management, legal, sales and marketing, human resources, call centre and support fields.

The Group's recruitment process outsourcing business, Resource Solutions, currently operates contracts in Europe, Australasia, Asia and the US.

As at 30 June 2004, the Group employed around 863 staff worldwide. Providing recruitment solutions to clients on a global basis, Robert Walters has offices in:

Adelaide	Amsterdam	Auckland	Brisbane
Brussels	Dublin	Guildford	Hong Kong
Johannesburg	London	Luxembourg	Manchester
Melbourne	New York	Paris	Perth
Reading	Singapore	Sydney	Tokyo

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“...we remain optimistic that the improving market conditions that we experienced in the first half of 2004 will continue throughout this year. Consequently, we will maintain our policy of cautious growth, in order to increase our market share, productivity and overall profitability.”

chairman's statement

I am pleased to report on the Group's trading for the six months ended 30 June 2004. In the first half, turnover was £82.2m (2003: £77.7m) producing a gross profit ("net fee income") of £30.8m (2003: £25.3m) and a substantial improvement in operating profit to £3.0m (2003: £0.7m). Profit before tax was £2.8m (2003: £1.9m) which included £0.3m of foreign exchange translation losses (foreign exchange translation gains 2003: £1.0m).

Business confidence returned and trading conditions improved in most of the Group's markets and in particular in the sectors hardest hit over the last three years such as financial services. Net fee income for the Group increased 21% over the same period in 2003 with most of this increase coming from permanent recruitment.

Net fee income in the second quarter of 2004 improved for the fifth consecutive quarter and was almost back to a level last achieved in the third quarter of 2001. Following the improvement in business confidence, and as anticipated at the time of the preliminary statement, we have increased headcount from 736 at 31 December 2003 to 863 at the half year. We expect to continue to increase headcount in the second half of 2004 to take advantage of greater opportunities.

United Kingdom

Turnover in the UK was £44.6m (2003: £44.1m), net fee income £14.4m (2003: £11.2m) and operating profit £0.8m (2003 operating loss: £0.3m).

The growth in net fee income was driven by permanent recruitment with contract recruitment at similar levels to 2003, although the second quarter of 2004 showed signs of improvement in this market.

All of our UK recruitment disciplines increased their net fee income year on year. We saw good growth across our finance operations and permanent recruitment in the financial services sector produced exceptional growth. Within an improved market for IT services, our IT business continued to increase profit, and we

are also delighted that our newest UK business, HR recruitment, continued to perform well with net fee income almost doubling and operating profit tripling.

Continental Europe

Turnover in Continental Europe was £5.1m (2003: £4.4m), net fee income £2.9m (2003: £2.5m) and operating profit £0.1m (2003: £0.1m).

Trading conditions have continued to be difficult although we are starting to see signs of improvement. Permanent recruitment increased across all of our European operations whereas interim business was comparable to 2003.

We are encouraged by the general improvement in our European markets and have extended our operations by establishing Walters Interim in Paris to focus on the contract market.

Asia Pacific

Turnover in the Asia Pacific region was £30.8m (2003: £27.1m), net fee income £11.8m (2003: £9.9m) and operating profit doubled to £2.2m (2003: £0.9m).

In the first half of 2004, all our Asia Pacific operations produced increased net fee income resulting in a further increase in their profit. Consistent with our business elsewhere, this growth in net fee income came predominantly from permanent recruitment.

Our operations in Australia, Singapore and Japan delivered excellent profit growth. We are also pleased to report that our Hong Kong operation which was drastically hit by the SARS epidemic in the first half of 2003 has operated profitably in the first six months of 2004.

We continue to maintain a watching brief across this region to ascertain the appropriate time to establish a presence in other Asian markets, in particular China.

chairman's statement (continued)

Other International

Other international comprises our New York, Dublin and Johannesburg offices. Turnover for these businesses was £1.8m (2003: £2.1m), net fee income £1.6m (2003: £1.7m) and operating loss £0.1m (2003 operating profit: £0.1m).

Our US operation has increased its operating profit in the improved market conditions. We have increased our investment in our Dublin office and are starting to achieve increased momentum in that market. Within our small Johannesburg office, the management changes made last year have yet to have a positive impact and consequently the business has made a small loss to date in 2004.

Resource Solutions

Resource Solutions, our outsourcing business, which manages the recruitment process for a number of major clients, also benefited from improved market conditions. Net fee income increased by 23% due to additional numbers of staff at client sites and an increase in the number of client contractors payrolled by Resource Solutions.

Resource Solutions remains an important element in the Group's strategy and we look forward to continued growth from this business.

Cash Flow

The Group ended the period with £13.6m net cash (31 December 2003: £15.9m).

Operating activities generated £1.2m (30 June 2003: £1.9m) despite an increase in debtors of £6.8m, reflecting increased activity levels. The significant cash outflows were the final dividend of £1.7m and corporate taxation of £1.0m.

Dividend

The Board has decided to maintain the interim dividend at 1.05p per share. The interim dividend will be paid on 29 October 2004 to those shareholders on the Company's register at 17 September 2004.

Current Trading and Prospects

Whilst the economic backdrop contains a degree of uncertainty, we have started the third quarter of 2004 well and we remain optimistic that the improving market conditions that we experienced in the first half of 2004 will continue throughout this year. Consequently, we will maintain our policy of cautious growth, in order to increase our market share, productivity and overall profitability.



TIMOTHY BARKER
Chairman

6 September 2004

consolidated profit and loss account

		2004	2003	2003
		6 mths to	6 mths to	12 mths to
	Notes	30 June	30 June	31 December
		Unaudited	Unaudited	Audited
		£'000	£'000	£'000
Turnover (30 June 2003 restated - see note 1)	3	82,247	77,697	156,835
Cost of sales (30 June 2003 restated - see note 1)		(51,496)	(52,382)	(104,885)
Gross profit	3	30,751	25,315	51,950
Goodwill amortisation		(198)	(200)	(396)
Other administrative expenses		(27,575)	(24,425)	(49,546)
Administrative expenses		(27,773)	(24,625)	(49,942)
Operating profit	3	2,978	690	2,008
Net finance (expenditure) income	4	(137)	1,181	1,398
Profit on ordinary activities before taxation		2,841	1,871	3,406
Tax on profit on ordinary activities	5	(1,317)	(869)	(1,308)
Profit on ordinary activities after taxation		1,524	1,002	2,098
Dividends	6	(811)	(889)	(2,453)
Retained profit (loss) for the period		713	113	(355)
Earnings per share (pence):	7			
Basic		1.9	1.2	2.6
Diluted		1.8	1.2	2.5

consolidated statement of total recognised gains and losses

		2004	2003	2003
		6 mths to	6 mths to	12 mths to
		30 June	30 June	31 December
		Unaudited	Unaudited	Audited
		£'000	£'000	£'000
Profit for the period		1,524	1,002	2,098
Foreign currency translation differences		(557)	110	593
Total recognised gains for the period		967	1,112	2,691

consolidated balance sheet

	2004	2003	2003
	30 June	30 June	31 December
	Unaudited	(Restated - see note 1) Unaudited	Audited
	£'000	£'000	£'000
Fixed assets			
Goodwill	6,649	7,045	6,847
Tangible assets	3,196	4,114	3,474
	9,845	11,159	10,321
Current assets			
Debtors	30,123	22,570	23,389
Cash at bank and in hand	13,642	18,390	15,915
	43,765	40,960	39,304
Creditors: amounts falling due within one year	(23,540)	(18,448)	(17,832)
Net current assets	20,225	22,512	21,472
Total assets less current liabilities	30,070	33,671	31,793
Provision for liabilities and charges	(188)	-	(183)
Net assets	29,882	33,671	31,610
Capital and reserves			
Share capital	16,935	16,931	16,935
Share premium	77,816	82,804	77,816
Other reserves	(74,034)	(74,034)	(74,034)
Own shares held	(8,232)	(4,256)	(6,348)
Foreign exchange reserves	(631)	(557)	(74)
Profit and loss account	18,028	12,783	17,315
Equity shareholders' funds	29,882	33,671	31,610

consolidated cash flow statement

		2004	2003	2003
		6 mths to	6 mths to	12 mths to
		30 June	30 June	31 December
	Notes	Unaudited	Unaudited	Audited
		£'000	£'000	£'000
Net cash inflow from operations	8	1,177	1,944	3,423
Returns on investments and servicing of finance		137	157	227
Taxation		(1,046)	223	(786)
Capital expenditure and financial investment		(386)	(538)	(865)
Equity dividends paid		(1,654)	(1,729)	(2,453)
Cash flow before financing		(1,772)	57	(454)
Financing		-	(1,415)	(3,500)
Decrease in cash in period	8	(1,772)	(1,358)	(3,954)

reconciliation of movement in shareholders' funds

		2004	2003	2003
		6 mths to	6 mths to	12 mths to
		30 June	30 June	31 December
		Unaudited	Unaudited	Audited
		£'000	£'000	£'000
Profit for the period		1,524	1,002	2,098
Foreign currency translation differences		(557)	110	593
		967	1,112	2,691
Dividend		(811)	(889)	(2,453)
Own shares purchased		(1,884)	(1,415)	(3,516)
New shares issued		-	-	16
Net reduction to shareholders' funds		(1,728)	(1,192)	(3,262)
Opening shareholders' funds		31,610	34,863	34,872
Closing shareholders' funds		29,882	33,671	31,610

The previously reported 30 June 2003 equity shareholders' funds balance has been reduced by £4,256,000 as a result of the adoption of UITF abstract 38 in respect of own shares held. This restatement had no impact on the Group's profit and loss account.

notes to the financial information

1. Accounting policies

Since 30 June 2003, there have been the following changes to accounting policies:

Both turnover and cost of sales in the United Kingdom have been adjusted by £26.9m from the previously reported figures as at 30 June 2003 of £104.6m and £79.3m respectively. This restatement follows a review of the guidance issued in 2003 in the Amendment to FRS 5 Application note (g) relating to Revenue Recognition, and the identification that in certain transactions the Group is primarily involved in an intermediary role. In accordance with the published guidance, the Group's policy is now to only recognise the net income arising from such transactions.

The 30 June 2003 net assets of the Group have also been reduced by £4.3m, following the restatement of own shares held that are now categorised within capital and reserves, in accordance with the early adoption of UITF 38. This restatement had no impact on the Group's profit and loss account.

These changes were reflected in the 2003 annual report and accounts of Robert Walters plc.

2. Financial information

The financial information on pages 5 to 11 was formally approved by the Board of Directors on 6 September 2004. The financial information set out in this document does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2003 for Robert Walters plc on which the auditors gave an unqualified report, have been delivered to the Registrar of Companies.

The financial information in respect of the period ended 30 June 2004 is unaudited but has been reviewed by the Company's auditors. Their report is attached on page 12. The financial information in respect of the period ended 30 June 2003 is unaudited.

notes to the financial information (continued)

3. Segmental information	2004	2003	2003
	6 mths to	6 mths to	12 mths to
	30 June	30 June	31 December
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
i) Turnover:			
UK (30 June 2003 restated)	44,595	44,107	87,231
Continental Europe	5,059	4,387	8,387
Asia Pacific	30,791	27,055	57,457
Other	1,802	2,148	3,760
	82,247	77,697	156,835
ii) Gross profit:			
UK	14,446	11,232	23,556
Continental Europe	2,887	2,485	4,748
Asia Pacific	11,848	9,858	20,654
Other	1,570	1,740	2,992
	30,751	25,315	51,950
iii) Profit on ordinary activities before tax:			
UK	765	(334)	(6)
Continental Europe	91	74	(367)
Asia Pacific	2,202	884	2,353
Other	(80)	66	28
Operating profit	2,978	690	2,008
Net finance (expenditure) income	(137)	1,181	1,398
Profit on ordinary activities before tax	2,841	1,871	3,406
4. Net finance (expenditure) income	2004	2003	2003
	6 mths to	6 mths to	12 mths to
	30 June	30 June	31 December
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Interest received	200	157	227
Foreign exchange (loss) gain	(337)	1,024	1,171
	(137)	1,181	1,398

notes to the financial information (continued)

5. Corporation tax	2004	2003	2003
	6 mths to	6 mths to	12 mths to
	30 June	30 June	31 December
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
UK	538	133	337
Overseas	779	736	971
Total taxation	1,317	869	1,308

The charge for taxation is based on the expected annual tax rate of 46% (2003: 46%) on profit before taxation and amortisation of goodwill. The effective rate of tax is high due to a number of factors, including overseas profits subject to higher taxation; goodwill amortisation; disallowables and unrelieved foreign losses.

6. Dividends	2004	2003	2003
	6 mths to	6 mths to	12 mths to
	30 June	30 June	31 December
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Interim dividend of 1.05p per share (2003: 1.05p)	811	889	889
Final dividend (2003: 2.1p)	-	-	1,684
Adjustment in respect of prior year	-	-	(120)
	811	889	2,453

The total amount of the interim dividend is lower than in June 2003 due to the purchase of own shares during the period.

7. Earnings per share

The calculation of earnings per share is based on the profit on ordinary activities after taxation and the weighted average number of ordinary shares of the Company.

	2004	2003	2003
	6 mths to	6 mths to	12 mths to
	30 June	30 June	31 December
	Unaudited	Unaudited	Audited
Weighted average number of shares:			
Shares in issue	84,676,927	84,656,927	84,659,941
Own shares held	(5,945,560)	(2,149,018)	(3,516,692)
For basic earnings per share	78,731,367	82,507,909	81,143,249
Outstanding share options	4,694,164	200,002	3,051,985
For diluted earnings per share	83,425,531	82,707,911	84,195,234

notes to the financial information (continued)

8. Analysis of cash flow

	2004	2003	2003
	6 mths to	6 mths to	12 mths to
	30 June	30 June	31 December
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Reconciliation of operating profit to net cash flow from operating activities:			
Operating profit	2,978	690	2,008
Depreciation charges	587	684	1,495
Goodwill amortisation	198	200	396
Loss on disposal of tangible fixed assets	22	222	418
Increase in debtors	(6,788)	(286)	(784)
Increase (decrease) in creditors	4,175	434	(293)
Increase in provision	5	-	183
Net cash flow from operating activities	1,177	1,944	3,423

Analysis of change in net funds:

Decrease in cash in the period	(1,772)	(1,358)	(3,954)
Foreign currency translation differences	(501)	538	659
Movement in net funds in the period	(2,273)	(820)	(3,295)
Opening net funds	15,915	19,210	19,210
Closing net funds	13,642	18,390	15,915

9. Registered office

The Company's registered office is located at 55 Strand, London, WC2N 5WR.

independent review report to robert walters plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2004 which comprises the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the consolidated cash flow statement, the reconciliation of movement in shareholders' funds, and the related notes, 1 to 9. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where

any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review, we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2004.

Deloitte & Touche LLP
Chartered Accountants
London

6 September 2004

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